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2009/08/14 :

CIA-RDP85T00875R001500020

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**DIRECTORATE OF
INTELLIGENCE**

WEEKLY SUMMARY

Special Report

Guyana Becomes A "Cooperative Republic"

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№ 675

**27 February 1970
No. 0359/70B**

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GUYANA BECOMES A "COOPERATIVE REPUBLIC"

Prime Minister Burnham used the anniversary of a slave rebellion in 1763 to launch his highly touted socialist venture, the "Cooperative Republic." It has become increasingly apparent in recent months that Burnham intends to make cooperatives the basic institution, if not the principal economic and ideological foundation, for the Guyana Republic inaugurated on 23 February.

The change to republic status is more symbolic than substantive. An elected president will replace the queen's representative as head of state, and the president will be elected next month by parliament for a six-year term. The government structure will remain essentially the same, however. Selection of presidential candidates may cause an additional strain in the already uneasy racial picture because Burnham, a Negro, has stated privately that he intends to see that a non-Negro is elected in order to avoid further racial conflict.

Prior to independence in 1966, Burnham had been premier of the former colony for two years, having won a narrow victory over former premier Cheddi Jagan in the 1964 elections. During the period of his leadership, Burnham has sought to overcome bitter East Indian - Negro divisions brought on by violent racial disorders from 1962 to 1964. His political support has come largely from the moderate business and labor sectors and from the Negro population.

BURNHAM'S POLITICAL DIRECTION

Burnham put forward his thoughts on cooperatives at a leadership conference of the People's National Congress (PNC) in July 1969, describing the cooperatives as a means for "Guyanizing" the economy without suffering the hazards of nationalization. Burnham conceives of the economy of a cooperative republic as comprising private, public, and cooperative sectors. The cooperative sector will be encouraged and supported by the government in a variety of ways until it becomes dominant. Burnham intends to use the cooperative as a device for the rapid settlement and development of the interior with a minimum of capital outlay. He has been vague as to the exact details of his plan, but he apparently expects the 900 cooperatives now in existence to

reach several thousand in the next few years. The cooperatives will be organized in virtually all sections of the economy; they will operate in the manufacturing and retailing fields as well as in the agricultural sphere.

Perhaps most important, from Burnham's point of view, will be the political aspect of the cooperative, which is intended to "make the small man a real man." By this he evidently means that cooperatives will involve the ordinary citizen in the economy and give him a stake that he does not now have.



Forbes Burnham

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The new approach is also expected to avoid the shortcomings, as Burnham sees them, of both the Communist and the capitalist systems and to provide a "Guyanese way" to development. By coupling the idea of cooperatives with that of self-help, which the prime minister also constantly stresses, the cooperative is expected to become both a pragmatic and an ideological challenge to the opposition People's Progressive Party (PPP), led by Communist Cheddi Jagan.

Fundamental to the new system will be the National Cooperative Bank, which was also inaugurated on 23 February. Although Burnham's administration had few complaints concerning existing commercial banks, the country's five banks are all foreign owned. This Guyanese-owned bank will be a major step in Burnham's plan to involve the public in the economy. He claims that much of the capital available for borrowing comes from the little man, yet only the large concerns can receive loans.

The business community, particularly the foreign investors, have expressed concern over the threat the cooperatives pose to their interests. The continued reassurances uttered by Burnham have done little to quell their fear that the government intends to carve out a place for the cooperatives at the expense of the business sector. Burnham has repeatedly stressed that nationalization is not the answer to the economic problems facing his nation. He knows that without foreign capital the economy would be seriously weakened. Nevertheless, the 1970 budget approved last month has reinforced the fears of the business community because of the higher taxes, the restrictions on the outward flow of profits, and the stringent controls to be imposed on investments. Burnham, aware of this anxiety, has warned business that it must not seek to destroy the cooperative movement but must instead contribute more to national development.

DOMESTIC POLITICS

The 47-year old Burnham, since re-election to a four-year term in December 1968, has devoted his major efforts to consolidating his power. He has succeeded in maintaining internal stability despite potentially disruptive domestic problems and an external threat from Venezuela.

Burnham has named Edward Luckhoo, acting Governor-General, as interim president. The PNC has nominated High Court Judge Arthur Chung as its candidate in the presidential election next month in which parliament will choose a head of state to hold office for six years. The opposition PPP has nominated prominent party member Ashton Chase. The presidential contest apparently will have no effect on the general elections that must take place by 1973.

The prime minister has strengthened his authority over the governing Peoples National Congress Party, the bureaucracy, and the security forces. The PNC controls a 30-seat majority in the 53-man parliament. Although Burnham has the support of most Negroes, he has had only limited success in cutting into Jagan's grip on the East Indian population. Jagan's PPP continues to air charges of political privilege and nepotism, as well as of racial discrimination. Most Guyanese discount the allegations because of their obvious political motivation, but they are not completely disregarded.

As Burnham has consolidated his power, he has strayed from his relatively cautious and conservative ways and has adopted new and sometimes risky policies. He has begun to move to the left, both economically and in foreign policy. The most notable example is his adoption of the cooperative ideology. Also the 1970 budget is more radical in its approach to problems of development than were the conservative budgets of the past.

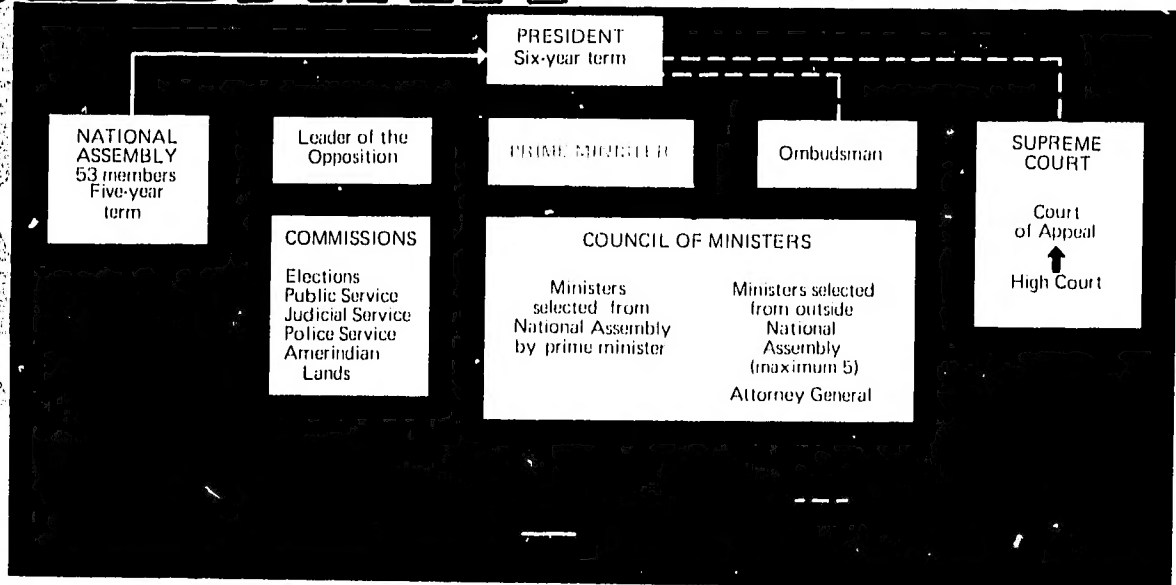
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GUYANA

Structure of Government



Burnham is continuing to work toward reducing the racial tensions that underlie all of Guyana's internal political problems. There is still deep distrust between East Indians, who constitute 50 percent of the population, and the Negroes, who account for 44 percent. Although there have been no major incidents since Burnham's election, the East Indians accept him only grudgingly and existing tensions could erupt into violence without prior warning. The PPP is intent on keeping racial problems before the population, although it has refrained from using violent tactics in the past few years.

Burnham has done much in recent years to dispel the suspicion and fears of the East Indian community and his multiracial approach to economic development has been well received. The continued Negro dominance of public service and

government agencies continues to present him with problems, however. Although Guyana's small but growing black-power movement is not now a problem for the government, it adds a further irritant to uneasy race relations. The main black-power organization in Guyana is the African Society for Cultural Relations with Independent Africa (ASCRIA). It was formed in 1964 primarily for purposes of developing educational programs in African history, culture, and language to emphasize the African heritage of black Guyanese. ASCRIA's present membership numbers about 200, but it has several thousand sympathizers. Eusi Kwayana, president of ASCRIA, has limited influence in the government through his position as chairman of the Guyana Marketing Corporation. Burnham sees benefit to himself in having the popular Kwayana in the administration, so long as the prime minister can maintain the upper hand.

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JAGAN AND THE PPP

Cheddi Jagan, leader of the pro-Communist People's Progressive Party, continues to pose a threat to Guyana's stability. His vacillating and uncertain tactics since Burnham's rise to power have lowered party morale and have weakened his hold, but he is still the uncontested leader of the East Indians.

The East Indians care little for ideological issues and vote for the PPP simply because they idolize Jagan, no matter how ineffective he may be. Many party leaders, however, despair of the party's being able to return to power by either revolutionary or parliamentary tactics. Violence, they fear, would bring about Jagan's imprisonment or proscription of the PPP; an election, they are convinced, would be rigged by Burnham to perpetuate his own power. Faced with this dilemma, the PPP can do little more than conduct a holding operation, strengthening its organization, weeding out dissenters, maintaining the support of Communist parties elsewhere, strengthening its control of pro-PPP labor unions, and keeping the racial issue alive. Although hardly in a position to defend monarchy, the party will probably claim that the change to a Cooperative Republic is motivated by Burnham's intent to establish a dictatorship.

Some moderate East Indians crossed party lines in the 1968 election and voted for Burnham, and many more would probably side with the PNC should Jagan decide to engage in a terrorist campaign. The East Indians reason that in any confrontation with the Negroes, they would come



Cheddi Jagan

out the losers. Although they are willing to vote for Jagan, they are not willing to die for him.

SECURITY FORCES

Burnham has carefully cultivated the security forces and now is confident of their support. Although the capabilities of the 1,600-man Guyana Defense Force (GDF) have steadily improved since independence, the organization still suffers from inadequate logistical support and poor leadership. The force probably could contain small-scale racial disorders, but it would have trouble should they become widespread. The GDF is better able than it was earlier to cope with the isolated type of uprising that occurred when Venezuelan-supported settlers revolted in 1969 in Rupununi, but it would be incapable of sustained engagements against any well-organized insurgent force or of repelling an attack from Venezuela. Burnham can also count on the loyalty of Guyana's generally effective 2,200-man police force.

Burnham made a strong effort earlier to recruit East Indians in order to bring the racial proportions of the GDF closer to the composition of the nation as a whole. The threat from Venezuela, however, convinced the government that the need for loyalty in the military was paramount, so the drive to recruit East Indians lapsed. The policy now is to take the best material available regardless of race, and to screen the recruits for loyalty, being especially careful in the case of the East Indians.

The role of the security forces should not change appreciably in the near future. Their loyalty to Burnham is assured by the overwhelming majority of Negroes in the ranks. Burnham can be expected to increase the size and effectiveness of the force and to try to obtain modern weapons.

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THE ECONOMY

The economy has been characterized by rising private investment, moderate growth of output, and financial stability. A slowdown may occur in the near future, however, if uncertainty over the new cooperatives discourages foreign investment.

A number of basic economic problems continue to impede real progress. For example, transportation and power facilities are inadequate. Moreover, although the country has benefited from the development of bauxite, and of sugar and rice as exports, future foreign-exchange earnings from sugar and rice remain vulnerable to fluctuations in world market prices.

All of these problems are further complicated by the pressures of population, which is increasing at an annual average rate of 2.7 percent. Any effort to introduce birth control would be attacked by the opposition as an effort to hold down the number of East Indians, who are increasing at a more rapid rate than are the Negroes. Such an effort would also be contrary to Burnham's claim that Guyana is underpopulated and thus would hamper his continued importation of Negroes from the Caribbean islands to increase the number of Negro voters. The large increase in population adds to the urgency of creating new jobs and of eliminating the housing shortage.

In an attempt to meet these problems the government has made large investments in transportation and irrigation facilities, expanded sugar production, improved rice cultivation, and has diversified agriculture. It has also adopted incentive programs including tax and import-duty exemptions designed to encourage private investment, but the effectiveness of such programs may be reduced because of recent restrictions of business freedom. The unexpectedly sharp tax

increases and foreign-exchange restrictions, which will restrict the outflow of funds of foreign firms, are viewed with suspicion by business as a government effort to carve out a preferred position for the cooperatives.

FOREIGN RELATIONS

Burnham gradually has edged closer to a nonaligned foreign policy but has not abandoned his close ties with the US and Britain. During the past year he established diplomatic relations with Yugoslavia and entertained a Czech trade mission, and he plans to participate in the forthcoming conference of nonaligned nations. Burnham said in his 1970 New Year's statement that in future international gatherings Guyana would take part in "breaking the stranglehold of bipolarization in international affairs and securing among the middle countries a solidarity that can exercise a real influence on world affairs."

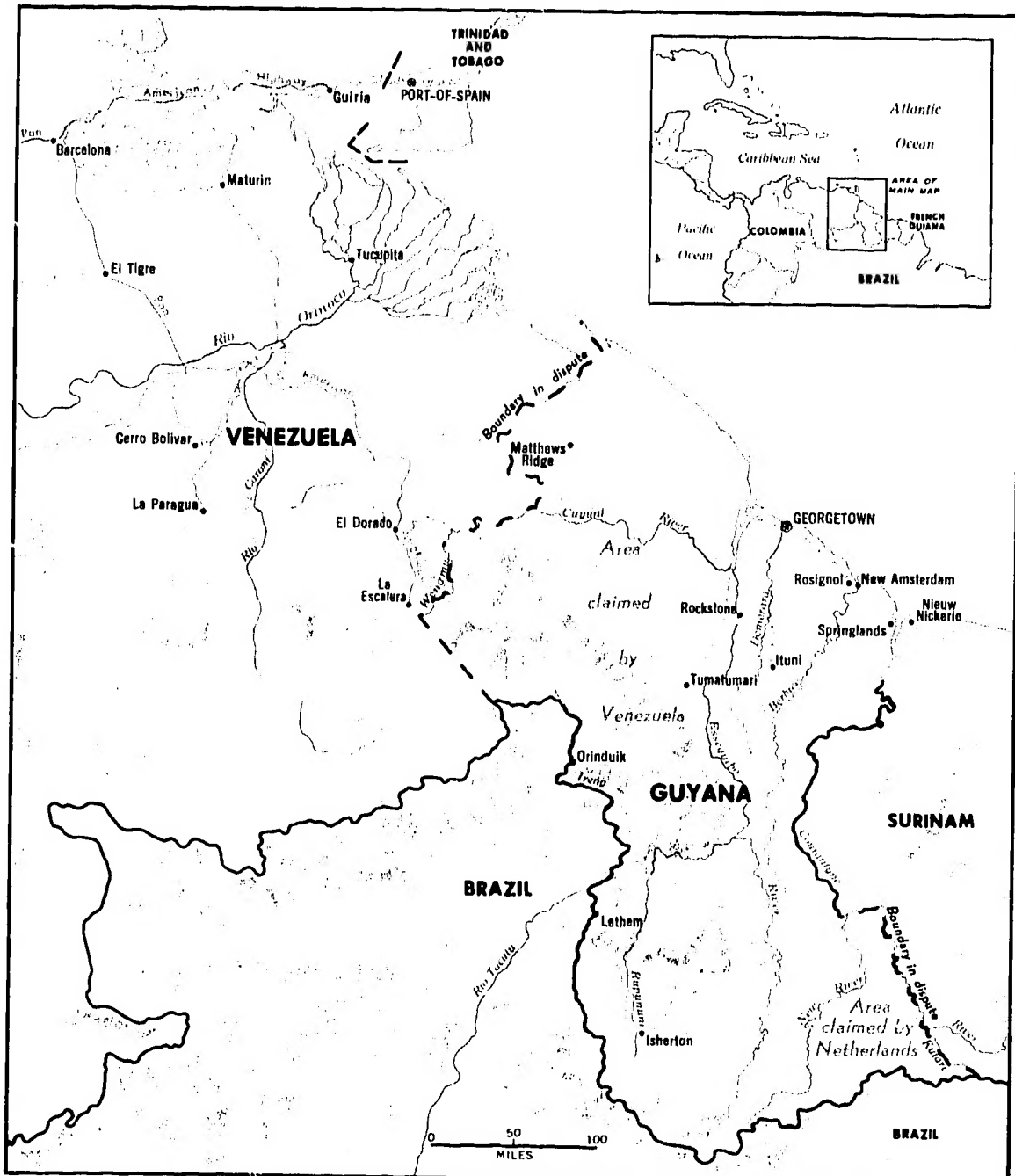
Burnham has scored some success in his efforts to advance Caribbean integration, in which he sees himself the leader of a federation of Caribbean nations. The Caribbean Free Trade Association Secretariat was established in Georgetown in 1969.

Guyana is slowly developing contacts with its Latin neighbors, but a border dispute with Venezuela is hampering efforts in this direction. Venezuela claims 55,000 square miles, or about 60 percent, of Guyana's territory. Venezuela unilaterally announced in 1962 that the Arbitration Award of 1899, which delimited the border, was "null and void." It cited evidence that came to light in 1949 that seemed to prove that the Russian member of the arbitration tribunal had voted with the British in favor of Venezuela under a prior secret agreement in return for British recognition of Russian interests in Afghanistan. The situation has been further

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aggravated by recent border incidents and by Guyanese charges that Venezuela has been subverting the Amerindian population in the Guyanese interior. Many Amerindians participated in the abortive uprising in Rupununi last year.

The Venezuelan-Guyanese Mixed Commission established in 1966 to find a solution to the dispute expired on 17 February without reaching agreement. The Commission has 90 days to file its report and then another three months to find ~~other~~ means for a settlement, or the case will be referred to the United Nations Secretary General for settlement. Guyana apparently believes that four fruitless years of negotiations are enough, and it is willing to see the case go to the International Court of Justice or to some other world body for adjudication. Venezuela, however, recognizes the weakness of its legal case and would prefer to extend the Mixed Commission or get the discussions on a government-to-government level. Renewed public polemics by either side or a new border incident would quickly raise tensions again.

A border problem with Surinam further complicates Guyana's position in the hemisphere. This dispute involves some 5,800 square miles of territory and centers on which tributary of the Courantyne River should be the boundary. A controversy concerning the ownership of offshore oil deposits that may exist at the mouth of the

Courantyne complicates the issue. The dispute has become entwined in the local politics of both countries, and any final settlement will be difficult.

OUTLOOK

Guyanese political life will continue to center on the rivalry between Jagan and Burnham, as neither man faces any significant challenge from within his own party.

Most Guyanese hope that the trend toward economic development and racial harmony begun during Burnham's first administration will continue, and that his leadership will develop the prestige, self-respect, and drive necessary to build a unified nation. Should Burnham be unable to satisfy these hopes, however, the nation's cautious enthusiasm could turn to a discontent easily exploitable by Jagan or other demagogic politicians. Burnham has staked his political future to a large extent on the new "Republic" venture, and much will depend on the success of the cooperatives.

For the foreseeable future, Guyana's primary concern will be internal cohesion, which will restrict its participation in the international arena. The serious border dispute will also limit Guyana's role in world affairs.

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